

City of Grants Pass
BUDGET COMMITTEE MEETING MINUTES
May 19, 2015 – 6:00 P.M.
City Council Chambers

The Grants Pass City Council met in joint session with the Budget Committee on the above date with Budget Committee Chair Tom Brandes presiding over the meeting. City Councilors Dan DeYoung, Roy Lindsay, Lily Morgan, Rick Riker, Ken Hannum, Dennis Roler, and Mark Gatlin (arrived late) were present. City Councilor Jim Goodwin was absent. Budget Committee Members Curt Collins, Tom Brandes, Frank Morin, James DeHoog, and Lisa Fogelquist were present. Budget Committee Members Shaun Curry, Ferris Simpson, and John Rall were absent. Also present was Mayor Darin Fowler and representing the City was City Manager Aaron Cubic, Assistant City Manager David Reeves, Finance Director Jay Meredith, Parks & Community Development (hereafter: PCD) Director Lora Glover, Public Works Director Terry Haugen, Public Safety Director Chief Bill Landis, Human Resources Director Diana Mejia, IT Manager Ken Salland, Property Management Coordinator Mike Byrne, and City Recorder Karen Frerk.

I. Budget Officer Convene Committee

II. Administration Department Budget Presentation

City Manager Cubic stated, good evening Budget Committee members, City Council, members of the public, and staff. It's my pleasure tonight to talk to you about our Administration Department. With me to support the Administration Department and facilitate any answers to your questions I have Assistant City Manager David Reeves, Human Resources Director Diana Mejia, IT Manager Ken Salland IT Manager, Property Management Coordinator Mike Byrne, and City Recorder Karen Frerk. This evening I have about 60 slides. Some of these divisions will probably go quickly as they are relatively small in nature. We will start off with general discussion about Council goals, move into department organization, we will be touching on the divisions within the department, and we will talk about our department efficiencies and then future challenges.

I wanted to start off with the Strategic Plan. The Strategic Plan really drives the budget. Like we've mentioned before what you see in front of you is in direct correlation with the planning process that Council has established in advance of the budget. The budget truly does represent the direction Council wants through the Strategic Plan. We have eight primary goals in the Strategic Plan that the budget represents:

- 1) keep citizens safe
- 2) provide cooperative, shared leadership involving Council, staff, and the community
- 3) encourage economic prosperity
- 4) expand tourism and cultural opportunities
- 5) promote healthy neighborhoods
- 6) facilitate sustainable, manageable growth
- 7) maintain, operate, and expand our infrastructure to meet community needs
- 8) preserve and enjoy our natural resources

The Administration Department organization starts at the top with the Mayor & Council. It moves to the city manager who is the sole employee of the City Council. From there it is broken out into the City attorney, assistant City manager who has a number of different divisions such as IT, Economic Development, and Property Management, and we have the City recorder and Human Resources.

On page 117-119 in your budget books is the Mayor & Council budget. This budget directly supports Council in developing Council goals and the City's work plans. Resources support citizen communication and promote transparency. The budget for Mayor & Council includes meeting costs, minute taking, television recording, training and travel for instance for League of Oregon Cities, property management direct charge, advertising for committees, community survey, and funds available for other committees at the committees' request. These following figures can be found on pages 117-119. Materials and Supplies have gone up slightly and that number basically represents the Mayor's new Volunteer Recognition Program. He has started the first annual recognition program that not only recognizes volunteers and the commissions and committees that serve in an advisory capacity to City Council but ultimately it also recommends and recognizes a Citizen Volunteer of the Year, an Organization of the Year, and what's called Future Citizen Award which also comes with a scholarship and is awarded to a high school student that goes to school in the Grants Pass area. We have some other changes. Contractual Services has gone down and I'm pleased to announce the reason why is because

we have built in some efficiencies when it comes to the minute taker and responsibilities associated with that and staff taking on some additional load which has saved us some money in that contractual service line item. That concludes the Mayor & Council budget. Do you have any questions?

Councilor Roler stated, you mentioned minute taking under Contractual and Professional Services. What else falls in that category?

City Manager Cubic stated, we will pull this up and have to look at the individual line items. Karen is getting that out for us. Television, surveys, goal setting, and election costs are all considered Contractual Services.

The next division is Policy and Legislation under General Program Operations. This can be found in your book on page 120-121. The Policy and Legislation Division has a budget and serves the City as a whole and helps with audits, newsletters, general engineering, capital transfers, contingency, and it does hold an ending fund balance. The first item at the front, Contractual and Professional Services, you will see a reduction of \$899,000. That represents the budget without the contract for jail services. This is where the jail services contract came from. The proposed budget for fiscal 15-16 does not include a contract with the County for jail services and that is what the reduction represents. In the addition in Transfers Out, which is a positive, is an additional \$125,000 that goes to capital projects throughout the City that is transferred throughout the organization. That concludes the Policy and Legislation budget. Are there any questions?

Councilor Lindsay stated, I know the newsletter that goes out in the utility bills is every other month. Has there been any discussion on perhaps making it a monthly thing?

City Manager Cubic stated, I think at one point Council briefly discussed it. That is something that would be discussed at the Council level if they see a need or staff would bring it up, either way, to see if it is something that would be a program worthy of spending the extra resources in order to increase communication. That would be something to be discussed at the Council level.

Administrative Services – General Program Operations – can be found on page 288-289. This division provides internal support, employee education recognition programs, general office services, postage, phone services, and it does hold a contingency. There are not a lot of major changes. Materials and Supplies have gone down a small amount and that was a reduction in office supplies, for instance. I do want to highlight Capital Outlay though at an increase of \$30,000. That represents a color copier. Currently we are utilizing a color copier that when once you do a big project you basically have to shut it down and restart it. It has served its purpose and its life with the organization. This represents the cost of purchasing a color copier that can be utilized throughout all the divisions in the organization. That concludes General Program Operations.

Chair Brandes asked, any transfers out or to capital again?

City Manager Cubic stated, yes, transfers out, this transfer is specifically for a project manager to help us finish and complete the installation of our new software program that will be used throughout the organization.

Management Services – I wanted to highlight how that worked. That is the Administrative Services fee charged and the purpose is to provide funding for a centralized division that provides service throughout the organization. Management Services has an 8% fee on actual program costs to all the divisions and departments and 2% of actual capital costs. The revenues are linked to directly to City departments. The funding mechanism is something that ultimately saves our departments money because they do not individually have to take care of all those Administrative Service fees. We have it centralized here in Administration under this department. Management Services on page 272-275 - some of the things we do under this division is the implementation of Council's policy and City goals. We do citywide administration, the budget process and direction, provide legislative support, both internal and external public-relations within the organization and outside, and also other intergovernmental relations. There are some adjustments in salary for Personnel Services representing a compensation classification study. Materials and Supplies have increased a little and that represents a number of PCs that we are purchasing. Also, we have had to decrease some of our membership fees to help offset some of those PC increases.

Councilor DeYoung stated, we were told the other day there are far fewer grants available than there have been in the past. Is there any time when our grant specialist that we have on as a full-time employee would become a part-time employee if needed?

City Manager Cubic stated, ultimately that is a personnel question and management issue which usually Budget Committee members should not have the authority to question. However, one of the things we are looking at is we are trying to build more efficiency within the grant process within the City. We are purchasing a membership through a program called eCivics, which is a clearinghouse of grants both foundational and governmental, which will provide us better opportunity as a database to be able to search out grants to where we can get more and be seen more. Ultimately, we are hoping that will help benefit the City in the long run. There are other opportunities out there that can be considered in the future depending on availability of RVCOG and our partnership with them. They also do some grant administration. Those are all things we can consider in the future.

Legal Services – Legal Services encompasses contracts and agreements, helps form and write ordinances and resolutions for Council, represents the City in legal actions, land-use and liability laws, outside legal counsel, helps managing the purchase and sale of property and land acquisition, provides organizational and legal advice to both Council and staff. Personnel Services you see there represents a temporary office assistant that helps with Legal and that is a temporary employee we hold here within the City. The rest is relatively status quo when it comes to the Contractual Services for Legal and Land Acquisition. Are there any questions on Legal Services?

Councilor Morgan asked, just to confirm that is both our contract with the law offices we use for our City attorney and the backup we have with his whole office and our land acquisition specialist?

City Manager Cubic stated, yes that actually serves both roles so you're talking about two different people.

Committee Member DeHoog stated, on page 281 it says the City contracts Hornecker, Cowling, Hassen, & Heysell. My comment is that is a Medford shop. Is there any reason we wouldn't

want to give preference to a Josephine County/Grants Pass firm? It seems to me those dollars should remain in the community to the fullest extent possible.

City Manager Cubic stated, I concur with you and we do that as often as possible. Normally when we do a contract for professional services we do a RFP/RFQ process where we ask for qualified candidates. They submit their proposals and they go through a competitive process and then the best attorney firm for our organization would be the one chosen.

Committee Member DeHoog asked, can we award another contract and split it?

City Manager Cubic stated, what you would ultimately do is periodically you would go through and you would do another RFP process and you open it back up again. Splitting it would create some inefficiency in the way it's set up right now.

Committee Member DeHoog stated, I've been through this over in Klamath in higher ed where we try to use as many local people but there also becomes the issue of talent versus price.

City Manager Cubic stated, again, we are talking about public contract law and there are certain requirements we have to follow. Sometimes you can't just pick the local you have to pick the best fit and who meets the selection criteria. It is open for anyone local to also apply and try to win the bid but we're looking for the best service for the best price.

Councilor Roler stated, one advantage of having someone from Medford is you probably don't have as many conflicts of interest. When you get into contracts and things like that the possibility of them working for somebody else you're dealing with comes up in that case. There is an advantage I think.

City Manager Cubic stated, Human Resources can be found on page 284-287. Human Resources is utilized throughout all divisions and departments within the organization. They work with recruitment and selection, labor negotiations, workers comp, administration of personnel policies, benefits management, employee development, retirees, record management, and providing citywide support. I'm pleased to announce we see a reduction in Personnel Services. That is primarily due to two things: 1) we do have a wonderfully skilled and respected new HR director who has started at a lower level than our previous one because of

the new position, and 2) we also have under filled her previous position, based on the HR director's recommendation, so that has also created some savings in that division.

Workers Compensation is another division and it's on page 316-319. The City is self insured which is a little different than some other organizations. Losses are paid directly to the claimants through our third-party administrator. We have a mandatory Safety Committee which is a positive for the City to keep our claims down. They do a lot of good for our organization. Worker's Compensation is relatively status quo, however, I do want to say we have a reduction in ending fund balance that you see there at \$151,000. Since we're dealing with actual versus projected, in a way, for fiscal year 2016 we are projecting there will be some claims to reduce that down to around \$85,000 but that may not actually be realized. That line item at the end of the fiscal year might actually be \$150,000 or \$200,000. We are budgeting for a use of that funding which represents that decrease.

Councilor Roler stated, first of all I would like to compliment the fact that it says on page 316 that you have zero days lost due to injury which is great. Then, I was puzzled by page 317. It says claims paid but it has no recordable injuries so what are the claims paid for? Isn't that what worker's comp is all about?

City Recorder Frerk stated, that is actually an error in the book. This last year we had 17 claims. They average about \$6000 paid out per claim.

Councilor Roler asked, so there were injuries.

City Recorder Frerk stated, there were injuries, 17.

Councilor Roler stated, also, being a word person, I had a question about what this one line means. I'm always fascinated by some of the phrases government comes up with. On page 316 it has "worker's compensation experience modification – 0.70".

City Recorder Frerk stated, that is the rate the State looks at us. We actually pay less than \$1.00 per employee. If we were at 1.0 we would have to pay the State \$1.00 for each employee but instead we pay less than that so it is actually a really good rating.

Councilor DeYoung stated, that experienced modification factor basically means it is good to be below one. One is their flat rate. If you are a new company starting out you are going to be at one and as you improve, you're a good hand, you do things safely, you care for your workers, etc. then it drops down. In business, at one time, I was at a 2.23. You do the math. My base rate was \$14 per \$100 for payroll. Figure that one out. I'm lucky to be here.

Committee Member DeHoog asked, what is the policy if you have...let's say a City employee goes out here in the parking lot and slips and falls and has a recordable incident or an on-the-job injury. What is the recording process that injury goes through? Is that something that comes over your desk and you are aware of and watching?

City Manager Cubic stated, sure and I'll let Karen or Diana share more. They are the ones that usually start that process.

Human Resources Director Mejia stated, whenever an employee is injured the employee can fill out an injury report. They always have the option to file an 801 which is the worker's comp claim. They file the 801 and we file that with our administrator and it's left up to the administrator to do the investigation into it determine whether or not it would fall under a worker's comp claim.

Committee Member DeHoog stated, I guess what I'm trying to get at is my experience with the safety realm and even everybody working together is that some percentage of it, and probably a pretty high percentage such as 75%, is behavioral. The issue is we never go to work and say I'm going to get in an accident today. No one does that. It happens because the number of steps the employee or the supervisor didn't catch or some host of events got you into an accident. That is what I was trying to get to if there is some review that goes through and says how we can prevent that in the future.

Human Resources Director Mejia stated, there actually is. The City has a Safety Committee so whenever those injury reports are filed or whenever a near miss occurs, which is when something happens that could have resulted in an injury and an employee reports it, the Safety Committee is going to review that and make some recommendations for changes to correct that so somebody doesn't get injured in the future.

Councilor DeYoung asked, I know you said we are self-insured in this area, but at what point is it broken off? In other words if you get a really big claim is there an insurance company that steps in and takes care of it?

City Recorder Frerk stated, being self-insured we are required to have excess insurance. That runs about \$75,000 a year. It is a per occurrence injury so we stop at \$500,000 per occurrence, not aggregate. In 2003 was when we got the closest with one injury that was about \$340,000. In all the years I've been here that is as close as we've come.

Councilor DeYoung stated, I know in business it saved us quite a bit of money if I signed something that said I have the option as the employer to...say a guy stubs his toe. Rather than put it through on worker's comp I say I'm going to pay for that out of my pocket. There is no claim filed, but he is on board he stubbed his toe but it doesn't go against me because I picked up the tab myself. It didn't affect the pool or anything else we belong to. I guess if you're self-insured you are already doing that by admission and you're saying you're up to \$75,000. Do you have an option to say we're going to go up to \$500,000?

City Recorder Frerk stated, that is just for the excess so for just in claims in general we pay per claim. We just pay it. With City-County Insurance when there are times it is a really low-cost claim we just pay it rather than having it go against us. Being self-insured it is us anyway.

Councilor DeYoung asked, do you have anything in place that investigates fraud?

City Recorder Frerk stated, yes we do.

Committee Member Fogelquist stated, I had a question about the ending balance. You said you're planning for the \$85,000 and hoping you don't get to the \$150,000 or whatever in worker's comp claims. What happens if that does happen? Where does that money come from if you haven't budgeted for it?

City Manager Cubic stated, we have reserve and then ultimately we have the excess insurance if it gets to that large of a level.

General Insurance – the City is a member of City-County Insurance Services locally known as CCIS. We are insured through them for a number of the following items: general liability, property coverage, auto, cyber liability, access liability, crime, and other types of insurances. We have Materials and Supplies which is down \$10,000 and this represents a grant we were trying to receive through CCIS that we would be able to utilize this fiscal year we are in, the \$10,000 in fiscal 2015. It was for lighting of the parking lot across the way for employee parking. It is awfully dark and it was a safety grant available to municipalities to apply for designated for specific purposes. We are still hoping to get that and take care of that in 2015. It doesn't mean a reduction in Materials and Supplies it just means in 2015 we have a grant currently right now where we don't have a grant for that specific purpose next year. The contingency draw-down of \$121,000 is you can see in 2015 there is a large contingency of \$408,000 under General Insurance. That was relatively high for that division so it is an intentional draw-down of the contingency which ultimately means a reduction in charges to the other divisions and departments.

Councilor Lindsay asked, could you please back up a couple slides? Excess quake? What does that mean?

City Manager Cubic stated, it is earthquake insurance.

Councilor Lindsay stated, I figured that is what it was. Should there be a Cascadia event it is going to be extreme and we've been told by many geologists that a Cascadia event is way overdue. I was just wondering how much excess is in there?

City Manager Cubic stated, we can look, but if the quake is anything similar to the San Andres with the rock in it then we are all in trouble and I don't think any insurance will cover us. We don't have that exact number.

Councilor Roler asked, in other words it is basically just minimal quake insurance. It is not for the big event.

City Manager Cubic stated, I can not say if it is minimal or not.

Benefits Administration can be found on page 324 - 326. This division administers all the health benefits, medical, vision, dental, life, the wellness program, and also PERS. I wanted to touch on PERS briefly. A 3% increase to PERS is equivalent to about \$400,000 in expenses per year for the City. Under the current rules for PERS the rates will be increased a minimum of 3% every two years until PERS is backed by 100% funding. However, recently there was legislation that deferred some of these actions and significant increases the cities would have in front of them. Unfortunately, just recently the Oregon Supreme Court overturned those. We will be faced with some larger increases in PERS in the next couple years. We do have a healthy reserve fund for PERS which will have to ultimately be drawn down over the next couple years once PERS increases. You can find more information on PERS in your budget book. There is a separate tab that starts on page 351 that will provide you with additional information on PERS. When it comes to health insurance we have an Insurance Committee. And the Insurance Committee does a great job of trying to determine and come up with the best insurance plan that is mutually beneficial to the organization and the employee. This year we're looking at a 6.085 overall rate increase and that was due to a competitive bid process, the Insurance Committee working hard at getting that rate down, and the current company wanting to keep us as a client. Teamsters have their own insurance as a bargaining unit so they don't participate in our insurance. They have a zero rate increase for the fourth consecutive year in a row which is relatively unheard-of. We're projecting insurance rates for Teamsters will probably more than likely be going up in the near future because that is a (inaudible) for a number of years for insurance. Then we have the Wellness Program which ultimately helps with insurance costs and keeping people healthy within the organization. We offer fitness reimbursements, benefit fairs, flu shots, health screenings, and we do have that Wellness Committee. In this division expenditures are relatively static. Are there any questions?

Councilor Morgan asked, is there a timeframe where we are going to hear the numbers on PERS as far as how big a hit we took with the court ruling or is there going to be an appeals process that would put it off?

Finance Director Meredith stated, I have been hearing it is going to take some time to do those calculations, but it has been reported the hit, in terms of how much for the whole state, the actuarial liabilities increase, was about \$5 billion. They were successful in changing the benefit structure going into the future for certain classes of tiers and also reducing some out-of-state

retiree benefits. There was some cost savings involved but the majority of what were expected to be the cost savings were overturned by the Supreme Court.

Councilor Riker stated, it is my understanding for Oregon and PERS we were approximately in the 80th percentile of having it completely funded before this recent court action. With that amount in there do know how large the PERS account is when you add that in there?

Finance Director Meredith asked, how large meaning what is our annual total expenditures for PERS or what our reserve is at today?

Councilor Riker stated, since 80% actually they said is nationwide compared to most cities we're in pretty good shape although we may be uncomfortable with that so how much will the retro, you said what \$8 million, do you know how much that will set it back or lower it from the 80%?

Finance Director Meredith stated, probably a little less than a 10% reduction so before that ruling if we were funded at 90% we might be closer to a low 80% after the ruling.

Committee Member DeHoog stated, this is a good discussion but my executive summary of all this, and it's no different than a higher ed group I'm in, is that basically the State's decision said we have to pay it. That's basically what they said. For us as a City and us as a group of Budget Committee members and for Aaron, Jay, all the other managers, and City Council what it means is we have to increase income into the City to pay for it. That is basically what it boils down to.

Councilor DeYoung stated, in the form of a question is there some point in time where you say that's enough? I'm watching every year and everything goes up and up. In private business you can't do that and stay alive and stay in business. We are not a business here, I understand that, but at some point in time the folks outside this building are going to say enough is enough. When do we say stop? I understand what the Supreme Court said. I have a real issue with this the Supreme Court having any type of ruling on PERS because they are part of it. It just keeps going on and on and it's frustrating because this is my 5th or 6th year and it never changes. We always say we're doing this cost cutting or that cost cutting and you're doing a fantastic job as staff but you get all done doing all the hard work and you think it's going to show up on this book - negative. It's always up, up, up and if it doesn't go up all by itself somebody will come along and say it should've gone up so we're going to take it up anyway. It's frustrating for me to sit

here on this committee year after year and listen to the same thing over and over again knowing full well, having been in business for so long, I can't do that in the private sector and neither can 90% of the rest of the world. But we have to sit here and swallow this thing hook, line, and sinker and it's frustrating. When is it we're no longer going to ding the taxpayer for an increase in health insurance it is going to come out of your pay and your pay because the employees have to stand up and pay for themselves?

City Manager Cubic stated, it is a rhetorical question to some degree and you've answered it in some of your explanation. There have been initiatives to try and fix what was a commitment for Tier 1 primarily and then also Tier 2. We thought some of it was getting fixed. Of course the Supreme Court did over rule some of those things so there is a drive for that to be corrected. Unfortunately, some things happened at the State level out of our control. It has been fixed to some degree meaning Tier 3, the (inaudible) version, is really fixed for the new and moving forward employees. It is the commitment the State made in Tier 1 and partially in Tier 2 that is creating the real issue.

Councilor DeYoung asked, the State made it but did the citizens of the state make it or did the employees of the State make it? Who is the State? Did it go on the ballot to say we are going to guarantee every public employee 8% every year and can I imagine the citizens actually checked the box yes? What is the life-expectancy of Tier 1 and Tier 2? I have to ask. Tier 3 fixes it. How long do Tier 1 and Tier 2 live? That is the only loose cannon I see here. Will it be 20 years? 30 years?

City Manager Cubic stated, I really can't answer that Councilor.

Committee Member DeHoog stated, you raised some valid points Dan. Ultimately, this is what I would call a legacy issue. It is going to have to pass and as we sit here with some of our hard-working employees and managers your point is well taken. In higher ed what we have basically discussed is at some point our PERS costs will be more than the money we get from the State and at that point we are no longer a State-funded institution. We are basically a private institution on every level. That may come to pass for the City of Grants Pass. I don't know those dollars but if our PERS costs, due to legacy issues, are higher than the funds we get from the State of Oregon then that is when you know you have a bigger problem than a big problem.

Councilor Lindsay stated, going along with what James had to say it is obvious PERS is a thorn in the side of a lot of people. Unfortunately, there is not much we can do about it except try to deal with it. Hopefully, somehow an answer will come down the pike because it is a big burden that's getting bigger.

City Manager Cubic stated, Fund Division - Economic Development on page 166 – 169. Economic Development is something that goes beyond our City limits. It is something regional and economic development outside the City does affect the City and we also affect outside our City boundaries. Therefore, we have a lot of interconnectivity of organizations and partners when it comes to economic development. Here on the screen is a list of those we partner with, either through formal contract or just partner with because they may be a self-supporting group or organization or funded through other means, in order to get our economic development accomplished. It is the way to work from a regional approach. We contract with some of those entities for instance SOREDI for \$25,000 and Next Level Grow Oregon for \$15,000. We have the Downtown Chamber for \$5000 for the Buy Local programs and training, etc. these are just some dollars we have contributed in the past. We have done some site selection tours where they bring in people from industries that bring people in and recruit people so they can get to know our community and maybe they could sell our community to others. We also have a small amount for advertising in this also. It is relatively a no change budget.

Councilor Roler stated, on page 166 under Objective 1 “prepare community development block grant consolidated plan under new status as an entitlement community” – Is that back to the metro area thing?

City Manager Cubic stated, that's a good question. Whenever you think of entitlement you think of an urbanized area and then you think of a MPO and all that goes with that. Actually, I think this is a real benefit of becoming an urbanized area. Some may argue we don't have a lot of benefits because we are now urbanized because we've been forced to do additional infrastructure from a bureaucracy standpoint. I think this is a win for us. Normally cities that don't have entitlement status and are not an urbanized area compete for block grants on an every other year basis where they apply for grant funds for about \$800,000 so they can do a certain project. Being an entitlement city means you can work with this and you ultimately get your own funding every year guaranteed. There's no more competing. Now, you're not getting \$800,000 every other year but what you're getting is a smaller allocation. Therefore, that

allocation can be utilized through the organization and through the plan you've developed. Right now are going through the process of developing a plan. The money still has to be utilized for the same criteria the community development block grant has to be used for, but that is relatively broad in nature. It could be potentially used for sobering center activities or senior citizen centers and so it really has a lot of options for us. What is neat about it is ultimately it is going to be a guaranteed revenue source where you can bank the money and utilize it as appropriately as it addresses the plan you develop.

Councilor Morgan asked, the strategic plan we are bid out for, the results of that, is this just paying for our personnel that we are going to be implementing in that plan so no other things going into that as far as an outcome? Are we kind of preparing in advance of what that might report and need to be funded for?

City Manager Cubic stated, the Personnel Services, of course, is for economic development such as our Business Advocate and other things. The economic Strategic plan you're talking about –

Councilor Morgan stated, [off mic] (inaudible) recommendation we need to spend more. [on mic] Will we need to do a budget adjustment if the plan comes back and says we suggest you hire a specific economic development director or this or that? Are we waiting to budget for what that plan might suggest?

City Manager Cubic stated, that is a good question. We are in the process right now of working toward developing a joint economic development plan with the County and the City. We will take a regional approach. Due to the timing standpoint, the RFP process, we're going to get those in later this month, then we go through the selection process, then we go through the actual study, and because it's a regional approach it will take a little bit of time. I think ultimately the plan with the potential actions associated with the plan won't be prepared and ripe for picking until the next fiscal year.

Committee Member DeHoog asked, does that mean next year we would see a more robust dollar allocation to Economic Development?

City Manager Cubic stated, I think what that might mean is you will maybe see a different allocation of the resources we have to support what recommendation comes out of the plan. I'm not sure if it means we will find new revenue somewhere but what it means is we might allocate the revenues differently in order to support the plan.

Committee Member DeHoog stated, the first question when I saw that slide is I almost wanted to ask you what if I allocated another \$100,000. How would you spend it? Meaning the tendency when times get tough is this quit spending money on advertising and promotion. When you jump on Alaskan Airlines or Horizon or one of these a regional commuters and you flip through the little magazine you see all these other communities who are lobbying to get a business in town of some sort. My comment is do we get more comprehensive about this subject? Do we inject some risk into this budget and start looking for and profiling businesses that will work in Grants Pass? Do we go start marketing to those guys? There are other issues involved. There's a long list of professional affiliations and dues and all that. While we don't want to make those people upset and say we're going to go do something else, we are going to have to inject some form of risk into this budget and understand that marketing may fall flat and it may take a year or two for that investment to pan. We may have to learn some things the hard way, but hunkering down and trying to trim this out in this region of economic development is probably not going to work long-term.

City Manager Cubic stated, I agree. I think figuring out what our return on investment is for our dollars is going to be extremely important. That is one of the things the plan will help us do is determine where our resources can best be spent and to respond to some of those things, the risk, and utilizing some money to help advertise, or focus on businesses. One of the positives about the way economic development is funded through the State of Oregon is we do have transient room tax dollars. I will talk up little bit about this later on in the presentation, but those are dedicated purpose funds. Therefore, there is always going to be funds available for things such as advertising, outreach, or economic development. Despite the health of the general fund those are specifically restricted dollars that have to be spent for certain things. There will always be that ability to do that risky amount because we can't utilize it for general fund operations.

Committee Member Collins stated, my question is to follow along with what you just said. We had our tour and we heard about a lot of great companies such as Winco and Red Robin

coming to town. Are any of them directly attributable to this group, this money spent, and what is our measure of the return on our investment?

City Manager Cubic stated, that's a good question. Your measure of return on investment basically depends on what your program is and that can vary drastically. I will give you two examples. The one you just mentioned, Red Robin and Winco, Council made a bold move to reduce SDC fees in transportation in part in order to spur economic development. What we've seen is an increase in activity in a short amount of time. During that time it brought in Winco and Red Robin and I think Middle Rogue IPA has been able to take advantage of those reductions in fees. There has been a lot of economic development growth from that standpoint. When you're talking about rate of return on investment I think we can probably contribute Council's actions to reduce SDC fees as beneficial to development from a commercial standpoint. On the flipside, also from the residential standpoint, we've seen an influx. PCD and Lora have been swamped. As that time comes to an end people are really starting to push through to get the benefit and the economic incentive. Another one, as an example from an economic development standpoint, is the picture you see here on the screen, The Haul. This was a business that took advantage of our grant program for façade improvement, seismic improvements, fire suppression, and ingress/egress improvements. I know I mentioned it before but we utilized \$250,000 in our Economic Development funds to leverage \$1.9 million in private investment dollars. I think that would be another benefit that says the City is partnering with the community. We are putting in hard money to help spur economic development in that public-private partnership. Those are the kinds of programs we would like to invest those dollars in, in the future and that is hopefully what the strategic plan will help steer us towards.

Councilor Lindsay stated, part of the equation rather than expansion or bringing new businesses in is what some might call favoring businesses to stay here, retention, as well as expand the businesses here. It's not only bringing in new businesses but it's making it possible in many ways for a business not only to stay but possibly expand here. That is economic growth as well. In the case of if they're just staying here it's not a loss in an economic aspect.

City Manager Cubic stated, that was a key benefit of that grant program I just talked about. That was not necessarily spurring new businesses coming in like the system development charge fees for the commercial sector. What the grant program did was benefit those businesses to retain and grow here locally.

Councilor Roler stated, going back to the urbanization program we talked about with the block grant and everything. Has anybody ever sat down and figured out what the disadvantages and advantages are of being in this urbanization thing? We heard about storm water becoming a new utility and it costing us millions and millions of dollars. We're already looking at building a new water plant and expanding our wastewater plant. First of all, has anyone assessed that? Second of all, can we get out of it if we assess it is a disadvantage rather than an advantage?

City Manager Cubic stated, I guess it depends on what side of the railroad tracks or street you're looking at it from. You can make an argument either way. Ultimately, there was a purpose from higher above, the federal level, on why areas should be urbanized and classified as an urbanized area. The true meaning for having an urbanized area and an area being classified as that is to try to build efficiencies in with the transportation infrastructure. When you're utilizing federal dollars you're utilizing them in a way that will impact a larger area. Ultimately, if you ask one person that's a positive and if you ask another they might say something different like now we have to go through a MPO where before we had those dollars directly allocated to the City for our City projects. It all depends on which way you look at it. Most of the programs have started out with good intentions but sometimes those programs and the way they're implemented within a local organization the impact is not really seen until they're ultimately here on the ground and sometimes it does create challenges for the local organizations.

Committee Member Morin stated, I have another question following up with the idea of becoming an urban area and hopefully having some additional growth. As I've been watching the presentations tonight and previous nights there certainly does seem to be a great deal of work to being done to make things more efficient. However, as it's been said, based on the amount of projects and the dollar amounts I don't think we're going to efficiency our way to success. For me, I see economic development as a critical piece moving forward to do some the things you've talked about such as bring companies in and grow companies. Are there any limitations to the type of companies the City or the County welcome into this area? I know in the past sometimes there has been more focus on this being just a tourism area and maybe healthcare, but if we had a company willing to come here are we going to welcome them? I don't know if there are issues here at the local level or the State level, but I've talked with some people who have been around longer and heard of more than a few instances where employers

were trying to come in and were basically blocked. I don't know if they were blocked because the State didn't want different things here or the County didn't. I'm hoping that mentality has changed and that we would welcome a wide range of organizations into here to try to diversify a little bit.

City Manager Cubic stated, yes, I think the mentality has changed. If you look at recent actions Council has taken to help with economic development and encourage people coming in I think the dollars alone and effort they have done can reinforce that we are more business friendly. The type of business and how you compete and bring them in are, of course, things that are going to be studied through the strategic planning process. One of the key things that a City can do to spur economic development is make sure you have a place, you have a community, and that you have the infrastructure available to house a new industry or a new company coming in. We're talking transportation, parks, livability standards, water and sewer, etc. and if you look at the things that the City and Council are facing and directly hitting head on are all of those issues. I would make an argument that, yes, Council is definitely interested in being as business friendly as possible and they are willing to take on those big issues. Those are things that will hopefully be able to tie down on specifically what our strengths are. Our strengths might not be in a big industrial company coming in because we may not have the industrial infrastructure to support that. Our costs may not be able to compete with White City. What type of business is appropriate for us? What type of business is the right fit for us? From a City standpoint we are doing a really good job of making sure that infrastructure is there and established for people that want to come and live here in Grants Pass. It is just what are we going to be competitive at and the strategic planning process should help with that.

Finance Director Meredith stated, I was just going to elaborate on the previous answer regarding whether we had analyzed the pros and cons of being deemed an urbanized area. No, we haven't, because when we first looked into that we were told we could not appeal that. We didn't take the next steps to analyze the pros and cons we are just dealing with it as effectively as we can.

Councilor Hannum stated, I'm going to step back a little bit here. This is a one-man office right now that works for the City. He is an employee for the City. On our chart of our costs are we charging off his assistance from the staff for secretarial and things such as that? Is that being

taken on another category? How is that being handled in the budget? He can't do everything. He can't be in the office. He doesn't have an assistant right now that I know of, correct.

City Manager Cubic stated, no, and what we have is some administrative support through, for example, our administration fees that we have and he does receive some support and assistance through the front office, at the City manager's office, through some of the staff that Karen supervises.

Councilor Hannum asked, in the future is this perhaps something we might do similar to what we did with Tourism? Where it might be something like we did with Mr. Bowen and the way we set the Tourism contract? Is that something we might do that would help save dollars in the long run?

City Manager Cubic stated, I'm excited about the future and what it holds for Economic Development especially with the County stepping up and being a partner and spending money on this plan. Ultimately, what would be nice is if we could come together and utilize similar resources in order to achieve the same goal. What that looks like we're not sure, but we are more than willing to work through that.

Committee Member DeHoog asked, has anybody considered some type of an economic development task force? I don't care if it's part of the Council or cooperative with City or County or get a couple local entrepreneurs, we have some great guys here that have done a lot for the community, and have them come in and sit down once a quarter and at least you have someone that can be called upon. Do you know what I'm talking about?. Is there any value in that?

City Manager Cubic stated, there is great value. It is something that is needed here in the community and once the strategic plan is in place that will be, I would imagine, a requirement recommendation that we have an economic development advisory committee. If it's a regional approach the economic development advisory committee won't be just for the City but it will be collaboration between the City and County having County and City representation. That will be something that is definitely needed. When you utilize the local resources, as you said, and the strengths we have within the community we can go that much further.

Grants Pass Downtown – pages 170-173 – we have a Downtown & Visitor Services Program. We have a contract with Experience Grants Pass. Through this program we do business liaison, visitor information services, special events, work with the downtown parking task force, parking enforcement representing two half-time CSOs, help maintain public infrastructure in the downtown area including flower baskets, trash collection, etc. There is an increase in Personnel Services of almost \$23,000. This is an increase due to a reallocation in Property /Management so when I get to Property Management you will see a similar reduction in Personnel Services and this that is what this represents. There has been an allocation of staff time from one division to another. Contractual Services has also increased slightly. That represents trash and litter removal and some additional landscaping that is required with ground maintenance. Are there any questions on Downtown?

Councilor Gatlin asked, I'm not really sure how to phrase this. Are there benchmarks set for the Visitor Center and the services in general as far as their goals and the outreach to the business community? Do we have anything to the effect that shows they are making a difference? That shows if there is a positive result coming from their services?

City Manager Cubic stated, yes we have a contract with Experience Grants Pass which has built in performance measures. They provide quarterly reports to Council plus an annual report that has a comprehensive list of their performance measures and how they have met those goals. It will be reported and checked through Council through their contract.

Grants Pass Tourism – pages 174-177, another great division, advertising, promotion, social media, magazines, brochure development, event planning, local development, and also visitor services is represented in this division. We have a number of cooperative programs. We contract with Experience Grants Pass for those services. We also have a contract with the Chamber for a visitor services center north of town. We have the *Southern Oregon Visitor's Guide* which we utilize for marketing along with *Travel Oregon*.

Some of these resources come from our transient room tax dollars. This is really an exciting graph. I could look at this one all day. As you notice the graphs are getting bigger and bigger and the colors between 2012, 2013, and 2014 - 2014 is the largest in all three of those quarters and that means we've received more income from transient room tax dollars. That means our economy is feeling that, not just the City. These are transient room tax dollars that come from

the local hotels and motels and this is a real positive. To give you a little breakdown where these dollars go we receive 15.56% to Public Safety, 15.56% to Parks, 30% to Tourism, 11.67% to Economic Development, 11.67% to Downtown, and about 15.56% to certain LB Capital Projects. A lot of these are directed through State law requirements and then some is listed in the municipal code when it comes to what the allocations are for our transient room tax dollars. It is very specific and so we have to follow that. There are a few minor changes. Direct Charges increases are mainly due to the reallocation from Downtown Services. The Transfer Out increase of \$25,000 represents the Redwood Empire sign restoration. One of the goals that came through the Strategic Plan was to refurbish the Redwood Empire sign and that is what this transfer out represents. Are there any questions?

Councilor Roler stated, I know a lot of hard work has gone into this and I hope they come up with fantastic ideas, but when push comes to shove we don't have to approve the re-branding if we don't want to, right? If we decide we want continuity and staying with the old ideas and not changing everything from stationary to trucks then we don't have to do that, right?

City Manager Cubic stated, that is one of the things the contract is working through and that Experience Grants Pass is doing in taking on the lead of the rebranding. Ultimately, it will be a Council decision to determine what you want to do with the recommendation and if there is a recommendation to change our current brand.

IT Division – this is a good division and I'm excited about it. Some budget highlights – IT, of course, is instrumental in the operations of our whole organization. They provide continuity of services. We have a great, new website out there. I hope everyone has a chance to visit it. There is so much information there. I myself go to the website often just for information. It's a great resource if I need to reference something. We have a wonderful search engine. I would recommend anyone listening out there in TV land or in the audience if you want a resource with the City, try the website, it's a wealth of knowledge. Also, they have been helping out with the city-wide financial management computer system we have been talking about. What does our IT division have to deal with? We have over 250 user computers. Servers and Storage – we have over 80 servers and computers and 4 SAN devices. Networking – we have over 100 networks. We have over 160 telephones. We have 250 user accounts. We have major applications and all types of different software and requirements they need to be up on and keep up to date with. Also they deal with the backup systems and earlier in the budget we

talked a little about a backup system that we're looking at. The Personnel Services increase represents the reclassification of two of the division's FTEs that we needed to reclassify to better represent what their job duties and responsibilities were. Contractual Services has an increase that represents an increase in costs for Microsoft Enterprise and the software we have there. Contingency is the one sad story with regards to this as unfortunately department revenue is not keeping up with the costs and therefore the contingency is being drawn down.

Councilor Lindsay stated, one of the things that is really important is IT security, protecting the environment from outside hackers as well as providing the safety of information internally. I know it is a really big subject, but it has to be dealt with. Do you think the resources being asked for are sufficient to provide for the level of security that is expected and the safety of the data?

City Manager Cubic stated, I could give you a broad explanation, but maybe Ken would like to step up to the mic and better answer that question.

IT Manager Salland stated, I think whether you're the City of Grants Pass or New York City you would say no because the bad guys are proliferating faster than the solutions can be put together. We've upgraded systems in the past couple years and we've upgraded software. Fortunately, one of my staff members is very active in the security community and has taken on a lot of training on his own time to stay up to date and to help us improve our security posture. Could we use more people and more money? Like I said, whether you're the City of Grants Pass or New York City I think the answer would be yes there.

Councilor Gatlin asked, on that vein have there been any breaches that have been detected?

IT Manager Selland stated, not that we have detected, no. We'll have minor things when somebody downloads something but our anti-virus software and other systems will catch it.

Committee Member Morin stated, you mentioned the contingency is being drawn down because the fees aren't keeping up. Are we expecting that to continue? Will we have to make changes to the fee structure or will we expect that to reverse course?

City Manager Cubic stated, ultimately we will be probably be looking at something like a change in the fee structure for IT in order to help slow that process.

Councilor DeYoung stated, you're going up in Personnel. You went up \$37,000 and there are 5.7 employees and you said you had two that were re-classified. Did they jump two or three tiers? It sounds like a lot of money if I just do the math.

City Manager Cubic stated, it represents two things. First, the collective bargaining agreements we have with the employees, and second, the re-classification of the two FTEs. That combination represents that increase.

Property Management – pages 300-303. This is something that definitely affects something that is extremely tangible to a lot of people, the look and feel of our community, our downtown, and also our buildings here. Building improvements and renovations occur here. They help with meeting set-ups, rental/storage, janitorial, ground maintenance, and help manage the downtown hardscape and the vacant lands. It is a very important division. Some of the highlights - we work through the Property Management division to mitigate safety hazards on vacant lands. We do have some properties that have structures on them that have been considered unsafe. One example was the old, red, two-story house kitty-corner to us. Through Property Management we went through and demoed the home. We have some others there and we have budgeted for at least one per year. There are still a few out there that have a negative draw on the community that we want to try to take care of. They do other maintenance. They improve access control and security to City facilities and buildings. They improve Council chambers - all the new sound system was done through Property Management. They do other improvements to the buildings such as HVAC systems. Personnel Services - there was a decrease, as I mentioned earlier, there was an increase in Downtown and here's the decrease I was talking about because of that reallocation. Contractual Services has increased \$37,000 due to the fact we were previously using temporary services, a temp agency, to do some service in the downtown and other areas here locally and now we are required to utilize Aspire and that is increasing our cost to do some of that maintenance. The transfer out of \$20,000 represents a positive as additional capital projects have been able to get dollars transferred to them.

Councilor Lindsay stated, you mentioned we're required to use Aspire. Please explain that a little further because I don't understand.

City Manager Cubic asked, Mike do you want to talk about that?

Property Management Coordinator Byrne stated, we have typically been using temporary labor through a ready-labor agency type of thing. Due to government action we are required to award certain contracts to organizations such as Aspire. We can't go out for a competitive bid to these organizations. Our janitorial service has been provided through the temporary agencies and we cannot continue to use them indefinitely. We have to go to a contract at some point or figure out some other way to do it. We are looking at using Aspire and go into an actual contract. Since they are a professional organization, as opposed to temporary labor they charge a little more, there is a profit margin there. Hopefully, they will be more professional and provide a higher level of service.

City Manager Cubic stated, and it is not because we are an urbanized area.

Councilor Gatlin asked, can you explain or elaborate a little more on how many employees that represents at \$37,000? It is not just one employee (inaudible).

Property Management Coordinator Byrne stated, we're looking at a series of contracts with Aspire. We're looking at four janitorial contracts. Also, part of that, which is not a mandated contract with an organization such as Aspire, is our rough mowing. We typically use temporary labor to perform most of those services and we will be using a contractor to do the rough mowing on some of these vacant properties.

Councilor Gatlin asked, and this amounts to an unfunded mandate, right? We're mandated by the Federal Government to do this without any type of Federal relief?

Property Management Coordinator Byrne stated, if we go to a contract for janitorial services rather than go out to a competitive bid we would be required to use Aspire. That is correct. By government mandate we basically have to go to them and ask, how much are you going to charge us?

Councilor Gatlin asked, and there are no grants or any type of help for the municipalities forced to do this? This is on us?

Property Management Coordinator Byrne stated, not that I'm aware of, but you could talk to our grant administrator.

Assistant City Manager Reeves stated, your State legislators (inaudible) program. It is part of the Oregon Revised Statutes that mandates that you provide certain opportunities for a certain class of individuals. This isn't something we thought up. It is State mandated, put into the Oregon Revised Statutes, that you must provide those opportunities. Even the pricing is legislated. It is not something we have a choice on.

Councilor Gatlin stated, I get that. I totally understand. Has there been any investigation made into if there are any Federal dollars available to help offset those costs that are going to be inherent with this type of situation.

Assistant City Manager Reeves stated, this was not a federally mandated program. This was one the State legislature chose to do. I'm not aware of any State grant programs or funding made available to cities to help compensate for the differential. It is something where they said this is a program that will help, let's call it a group of people that need assistance, so by mandating that cities and other government agencies will use that group and they found a way to help this under-privileged group.

Councilor Gatlin stated, and I'm all for that I'm just wanting to know if there are any other ways to pay for that.

Councilor Morgan stated, when I saw the building across the street come down it was disheartening we didn't try to salvage anything before it was destroyed. If it is possible to get separate bids from salvage operations before we demolish there is the potential of recouping some cost and also some of these historic buildings have stuff in them that Pinterest-type people would want to salvage. There was a lot of stuff in that house that was historically interesting and could have been reused. That is just a side note.

Committee Member DeHoog stated, could you please back up one slide. Contingencies went from about \$116,000 to about \$182,000. In the last couple slides we've been drawing down contingencies and I'm just curious what the thought process is.

City Manager Cubic stated, it is different funds and different dollars represent things. For instance, we made conscious effort to draw down the contingency because it was too large. Therefore, we built in the ability to charge less per department for that. It all depends on the individual division or department, where those funds come from, what the revenue sources are, and what their expenses are.

Committee Member DeHoog asked, so for this one we're building it back up for some future project or are we just building it up out of allocation of funds?

City Manager Cubic stated, we have financial policies established where we are trying to keep our departments and divisions within those policies. If and when we have an opportunity or need building that contingency is a positive because then we have the ability to react to that need when it comes forward to us.

Councilor DeYoung stated, Lily, in response to your question about salvage, that house over there was condemned. There was a certain amount of liability the City would have taken on by letting anybody go in there to pull down banisters and cornices and things of that nature. If they stepped through the stairs and got hurt the City would have been liable because it was condemned.

Property Manager Coordinator Byrne stated, I just wanted to say we did try to work with the contractors we got bids from to do just that - to salvage in any way, shape, or form and to work with some of the companies in Medford that resell those things to come in on a professional basis and salvage them. We couldn't accept the liability to let individuals come in and harvest. We tried our best and we try to do that with all of these. I believe in sustainability and recycling and all of that to a high degree. When we went through and looked at it on the surface it looked like there was a lot, but there really didn't seem to be much that was actually salvaged that hadn't already been salvaged by the little gremlins that went in there and did that for us. So to a certain extent, it was already done.

City Manager Cubic stated, I want to conclude with some department efficiencies and then also some future challenges. Department Efficiencies from the Mayor & Council Division - we are doing in-house strategic planning now so we are not outsourcing that which is saving on

resources. We have also saved a great deal on efficiencies with regards to the minute taker under that division also. Human Resources - the expansion of our NEOGOV online applications makes it not only more efficient but also more cost effective both internally and externally for customers with an interest in applying for a City position. Electronic review of the employment applications, the redesign of the recruitment and hiring process, more employees on a higher deductible plan which is helping with our own health care coverage cost because they manage their own health care, the PERS reserve is another one that is important, and then also the department organization and the under filling in HR is another efficiency we built in. From an IT standpoint - efficiencies are seen in working with Human Resources and other departments to improve user accounts for new employees. We made a number of modifications to the network to optimize communications between the phone and voice service providers. Property Management – strives for sustainability, we are trying to transform into LED lighting where appropriate, more efficiency with our HVAC system, and also we've looked at ways we can save and conserve water through better irrigation and soil amendments.

Future Challenges - we always have future challenges with regards to recruitment of Public Safety positions. We have labor negotiations. That is always a challenge. We have four bargaining units within the organization and of course there are changing laws such as the Affordable Care Act and others we are still working through. We will have to deal with them as they come. The other future challenge with HR is with PERS and increasing rates in the next upcoming two years or so. With IT we talked a little bit about it and you had some informed questions with regards to IT and specifically security. Security is always on the mind of IT and that will be a future challenge for us also. Property Management - the balancing act between quality of life and the wants/needs of our infrastructure. The need for a new water plant but at the same time coming up with resources so we can have more flower baskets, the lights in the trees, and things like that that make the community more vibrant and trying to balance that. Space for more workers and equipment - if our economy continues to grow and our size will have to grow to some degree to match what is appropriate and finding those needs is going to be a future challenge. Maintaining our buildings and our capital reinvestment is going to be key across the board. You have heard from all the other budgets and divisions from Water to Transportation to even Property Management and making sure we have appropriate funds to maintain the infrastructure we have in place is crucial.

Councilor Roler asked, is the levy for the police and fire stations the only debt we have now which is supposed to be paid off by 2019?

City Manager Cubic stated, that is the bonded debt that we have. You will be addressing that later on this evening when you will have to allocate some funds through the budget process on that. For instance, we have our reservoir that we went out and did a bond for, but from a larger-scale, property levy, type of standpoint, if it's are talking about, then yes.

Councilor Roler stated, I also noticed there was a fund called the Industrial and Downtown Loan Fund that I had zero applications and loans granted in fiscal 2015. Is that publicized so people know it's available?

City Manager Cubic stated, as I said we have a great web page and we have a really good business advocate and he has that as one of his tools in his box that he promotes on a regular basis. It's also available on our website. The thing is with the interest rates and the position the City would be in doing those loans there's not a lot of people that are taking advantage of that when they can find that money elsewhere at sometimes a more reasonable cost. We haven't had people utilizing that loan fund.

Chair Brandes stated, thank you Aaron. Jay is now going to do the Finance Department and Auxiliary Departments.

III. Finance Department Budget Presentation

Finance Director Meredith stated, good evening Budget Committee. Two more quick presentations before we begin the process of wrapping up this year's budget process. I'm going to start with a brief presentation on Finance and Fleet and then we will talk about some of the special revenue funds that make up Auxiliary Services one of the last tabs in your budget book. I do have with me here tonight Tammy Canady our Accounting Services Supervisor and Randy Bennetti our Supervisor of Fleet so they can help answer any questions you might have on those topics. Finance and Fleet - as you have seen in the other departments I will show you how the department is organized by division in the budget book. There are three divisions that show up in your budget book - Garage Operations, Equipment Replacement, and Finance. Then, we will talk about some department efficiencies and future challenges.

Here is our organizational chart in Finance and Fleet. There are 19 total people in the department, but as far as FTE goes or full-time equivalent that would be 18.5 as one of the 19 is half-time. It doesn't show up this way in the budget book but there are really three different divisions we operate in – Fleet, Customer Service & Utility Billing, and Accounting & Financial Reporting. In Accounting & Financial Reporting there are 6 FTEs, in Utility Billing & Customer Service there are 6.5 FTEs, and then in Fleet there are 4 and we also have the grant specialist under the Finance Department. As far as the major things Finance and Fleet does, on the Finance side we do utility billing, customer service, budget, audit, accounts receivable, accounts payable, payroll, lien tracking, treasury, financial control, grant administration, and other support services. Most of those are activities are internal services provided to all the City operating departments with the exception of Utility Billing and Utility Customer Service. Most of the costs of these services are paid by the indirect 8% administration fee that goes into the Administrative Services fund. That is what makes up the revenue side of the budget. Utility Billing and Utility Customer Service is a service provided almost exclusively to the utilities so we pass on the cost of providing that service to the utilities. The general fund doesn't pay for that. The utilities pay for that part of it as a direct charge based on the cost. If you were to look at the line item of the Finance budget we have two operating divisions – one is all the Utility Billing and Utility Customer Service costs and the other is the rest of Finance. On the Fleet side we maintain about 140 vehicles and 72 pieces of equipment. We help maintain everything from generators to lawnmowers so there really are over 200 pieces of equipment between vehicles and equipment that we help maintain every year. We also manage the funds for replacement and repairs and replace vehicles as needed and assist with the sale of surplus vehicles as needed.

I want to talk about a couple of major budget changes before we dive into the numbers specifically. As we've talked about in many of these meetings, this year we do have new financial software that we're in the process of implementing right now. That does increase our contractual costs a little as we pay for our share of the ongoing annual maintenance. That system will provide us a pretty big return on investment in the long-term as it helps us be more efficient in our daily duties. On the Fleet side, last year we talked about the potential need to build a new Fleet facility. That is still in the works but we are going to take our time with that one. The money to potentially be able to do that is built into the budget as a place marker but there are no imminent plans to do that. We really need of what that new facility looks like and where should be located. One of those things we need to work through is an alternative fuel

study. We need to first see if there is an opportunity to have a maintenance facility that can be used by both the City and maybe other agencies at the same time. You can't do maintenance work on alternative fuel vehicles in just any facility. There are some specific requirements for that. That is one of the longer-term money saving ideas we're going to be studying before we make a recommendation of ultimately building a new Fleet facility. There is a place marker in the bond budget so if we found the right opportunity we could at least do that transaction. We do not expect it to happen in fiscal 2016 but that place marker remains as it was in the 2015 budget. Also, we had one staffing change. We had one administrative position that did some work both in Fleet and Finance, the majority of her time was Fleet. We decided, based on the needs of Fleet and Finance together, it was best to not refill that position and instead hire another mechanic in the Fleet shop. That is really where our primary needs are. There is not a change in FTE but we are recommending replacing an administrative position with the mechanic position. One other major change before we dive into the numbers is we are not allocating any of the overhead costs to the Equipment Replacement fund like we used to. There is a cost of managing and purchasing vehicles and selling them surplus and just managing that Equipment Replacement program. We are taking that all out of the Equipment Replacement fund and making it just part of the Garage Services fund. The Equipment Replacement fund starting in 2016, is just going to be a savings account that collects money to replace vehicles over time and then pays to replace those vehicles when it is time to make those replacements. No more overhead allocation to the Equipment Replacement fund. It is just a pure savings account and we will account for the overhead costs in a different way in the next couple years.

Garage Services - as a result of taking all the overhead costs out of the Equipment Replacement fund and moving them over into Garage Services there is an increase in Personnel Services of \$80,000 but you will see a similar decrease in Personnel Services in the Equipment Replacement fund when we get there. Garage Services is the cost center that accounts for all costs of vehicles – fuel, insurance, maintenance, repairs - pretty much anything that has to do with the cost of vehicles and equipment goes through this fund. Materials and Supplies decreased because the cost of fuel is going down a little bit and we were able to budget a little less for the cost of diesel and gasoline. Contractual and Professional Services is up a little bit this year and that is almost due entirely to increased insurance costs. There was a two or three year credit on our automobile insurance policy and that credit went away this year so now we are back to where we were about three years ago. Almost that entire \$45,000 increase is due to increased insurance costs. Direct Charges are up. This, again, is part of the

reallocation, no more cost allocations, to equipment replacement. It does cost us \$30,000 in a property management fee for the Fleet facility and that includes utilities. Capital Outlay – there are no pieces of equipment we need to purchase in the next year so there is a decrease there. Indirect Charges are up a little bit. This fund pays the indirect charges just like most of the operating divisions do. Contingencies are down a little. We will be revamping the schedule for Fleet's services over the next year so you won't see a similar budgeted decrease in contingency next year.

Equipment Replacement - again, all of those overhead costs have been taken out and moved to Garage Services so you will see a lot of decreases there. It the only thing this particular fund is going to account for is the reserves we have set aside for future equipment replacements and then capital outlay related to actually purchasing those replacements. There's a slight decrease to Capital Outlay. The way we work this is any vehicle or major piece of equipment we know we might need to replace in the next year we go ahead and budget for that. What usually happens, for example, is there is a loader in the Streets Department that we have budgeted to replace that thing every year for a number of years but it's still working fine and there's no need to replace it so we will put off that purchase to a future year. The actual amount of the items we may need to replace in the next fiscal year as compared to this year is down about \$8000 but there is \$853,000 worth of potential replacements next year if everything that might need to be replaced does end up getting replaced. The biggest single item there is the wastewater jet vac truck. It is on City Council's agenda for tomorrow night. It will be over \$300,000 for that one purchase but this is a major piece of industrial equipment that cleans all of our wastewater lines and is a very important piece of equipment in the wastewater utility. That one item makes up almost 30%-40% of the capital outlay in the next budget year. As far as when that purchase takes place and when we actually receive it is likely to be next year. The only other big-ticket item in vehicles is a brush truck for the Fire Department. That will be in the \$90,000-\$100,000 range. We have started the procurement process on that.

Finance Services - Personnel is up \$46,000. That is just contractual numbers similar to what you see in all the other divisions. Materials and Supplies is up a little. Contractual and Professional Services has increased due to two things. About half of that is due to increased software costs and the other half is increased cost similar to what we just talked about in the last presentation. In the Finance Department we also have a contract with Aspire to do all the utility billing stuffing and mailing. They take all of the bills we print and they stuff them in envelopes

and mail them out for us. It's a good service but the price increase is about \$10,000 starting next fiscal year.

There are some reallocations of FTEs and some changing between Finance/Fleet and Equipment Replacement and Garage Services so I thought I would summarize it in the operating budget for all three of those put together. Fleet's total operating budget, those are the ongoing annual costs taking out the contingencies and transfers, so the budget is up 0.95% in Fleet and up 4.01% in Finance for a total of all the departments together of a 2.51% increase.

Efficiencies - technology is a huge focus for us. To help our department operate more efficiently in recent years we have started check scanning, electronic payments, fleet software, and the TYLER project which is the business software and E-permitting. In the long-term it will be a huge efficiency project for us to not have to operate on a 19-year-old financial system. The alternative fuel design study - I am particularly looking forward to that. It's not something we are going to be able to do quickly because we are trying to partner with the school district, the County, Public Works, Josephine Community Transit, and also the waste haulers. We want to combine that study to see what type of alternative fuel infrastructure might make sense for Grants Pass and some of the major commercial fleets that are in Grants Pass to help not just the City save money but to help some of the other public agencies and major commercial fleets in the area save money. We also do a lot of work in the Fleet arena when it comes to using State bids to purchase vehicles when possible or a cooperative purchasing contract to purchase new vehicles. That is how we are purchasing the new sewer jet vac truck. It was through a cooperative purchasing contract. Again, that is on the Council agenda for tomorrow night. Even for parts and services we try to use some cooperative purchasing contracts if possible. As a public agency we do have access to some very competitive prices when it comes to parts and some services. Billing Method for Fleet - we are following the best practice of billing. Based on actual use so how much fuel a department actually uses and how much maintenance and repair business they actually use that's what they are charged for and it will remain to be that way. We are making some recommendations on changing those fees but the billing method will remain based on how much each department uses. Also, we are coming to the end of preparing a draft policy and procedures manual to address all the recommendations that came out of the Fleet performance audit from a couple years ago. That will be part of the changing of the fee schedule and we will be able to wrap that up within the next few months.

Future Challenges - the City software replacement is a huge challenge for us right now and we will be in the middle of that project for at least the next 12 months. The garage shop is not correctly sized. It does not meet our maintenance needs but we will tolerate it as we properly plan out the potential replacement of the facility. We will be operating out of there for at least the next 1-2 years and then we will strategically evaluate our options there. Financial Planning for utility and Public Works infrastructure needs - as you have heard from our Public Works director for on Thursday night that is going to keep our department busy helping financially plan for those major projects. That will keep us very busy in coming years. Are there any questions for Finance and Fleet?

Chair Brandes stated, I went back to the fiscal 2013 budget for personnel in Finance and it was \$1,075,000 and now it is \$1.3 million. In other words it's up to almost \$250,000 in those three years. Can you tell me why?

Finance Director Meredith stated, two major reasons. First, we had a department reorganization two years ago. The grant specialist used to work in the Management Division and now the grant specialist has been transferred to Finance. If you looked at Management in that same year you would see a little decrease there as well as the increase in Finance. We took on one more staff member at that time but net for the City there wasn't a big change there. Also, you are comparing actual to budget. Sometimes when you look at an actual closed period in previous years there may have been a temporary vacancy that year where when we put together the personnel budgets that is based on if we had every position filled 100% for the whole year. The system calculates and knows what the cost of that would be and when people are working through the steps. That is based on full employment whereas often we have some temporary vacancy throughout the year. Those are the two big reasons.

Councilor Riker stated, under Equipment Replacement you mentioned there's an aged loader in the Streets Division that is hanging in there right now but in the near future would probably need to be replaced. Is there any consideration or opportunity where the loader we purchased for Jo-Gro several years ago could be used as a backup for that?

Finance Director Meredith stated, we are moving the old loader. Did we make that transfer Terry?

Public Works Director Haugen stated, yes we did make that transfer. The old loader that was in Streets has now been declared surplus and we will probably be selling that shortly. Then, we did bring the better of the two from Jo-Gro into Streets and that should serve that department probably for the next 20 years.

Finance Director Meredith stated, so that is just an example of how in past years we have budgeted for that replacement every year. Given what happened in Jo-Gro we don't have to budget for that anymore. That isn't in your fiscal 2016 budgeted capital outlay. There are different pieces of equipment in there this year.

Councilor Lindsay stated, I recall some of the patrol vehicles have been moved into SUVs rather than the Dodge Chargers. I also recall the lifespan of a larger vehicle was a little longer. Is that correct? To what extent is that process taking place now?

Finance Director Meredith stated, we have now replaced five patrol vehicles with SUVs. They are not all in service yet but you have probably already seen some of the Tahoes out there. I think three of them are now in service. We are in the set-up process of at least one or two of them and there are two more budgeted for next year. We are looking at increasing the lifespan from about four years to five or six years.

Public Safety Director Chief Landis stated, cost-wise is about the same but a longer period of time. It's a truck chassis and it's still the V-6 with the V-8 capability if you have to put your foot into it. There are actually Safety Committee recommendations about the lower profile vehicles and the injuries so we started that with two of our K-9 vehicles that had about eight years of service. We hope to not see any cost differences not needing four-wheel drives but with the two-wheel drive SUVs. There is more equipment that is necessary in Public Safety so that view in the windshield becomes problematic with smaller vehicles. As Jay said I think we have one or two coming online that are going through the up-fitting process.

Finance Director Meredith stated, there are two more Tahoes in the fiscal 2016 budget recommendation. One of them is just a replacement of one of the older patrol vehicles. The other is for the new officers that have been recommended in the budget. The three new officers will need a vehicle as well for the NIT, the Nuisance Intervention Team. In the Police Division those are the only two budgeted replacements, I believe.

Chair Brandes asked, are there any other questions?

Finance Director Meredith stated, moving right along to Auxiliary Services. Auxiliary Services are just some of the special revenue funds that collect some of the legally restricted dollars that the City brings in and uses them for particular purpose. Auxiliary Services is made up of transient room tax funds, the two debt service funds which are one Bancroft bond and one general obligation bond fund and I'll explain what those are just a second, the industrial loan fund, the community development block grant, environmental waste fees fund, and agency fund. Here is a real quick description of what each of these funds are and this is the last part of the budget you haven't seen so this is it. Transient room tax fund is a separate fund that collects all the transient room taxes from all the different hotels and motels in town and then turns those over to the different operating divisions that use those funds based on the specific percentages you heard about in Aaron's presentation. The actual ongoing revenue is increasing a little. The budgeted transfers out are down little bit and that is just because of some one-time carryover resources we had in that fund last year. Debt Service Bancroft Bond fund is a borrowing to finance LIDs or Local Improvement Districts. We haven't done a local improvement district in sometime but there are still some outstanding loans. Most commonly a transportation project comes through and immediately the adjacent properties end up paying an assessment for the benefit of that transportation project and over time they pay principal and interest back if they choose to borrow through the City to pay that assessment. General Obligation Bonds is where your Public Safety general obligation bond comes in and then the annual bond payments are paid. This year's debt service is about \$1.1 million and that does end in fiscal 2019. It will be a levy of pretty close to \$.40 for each of the next three years and then it will be significantly lower. In the last year, in fiscal 2019, it will probably be closer to \$0.20-\$0.25 in that last year. Industrial and Downtown Loan fund is the fund we talked about a little earlier that is not being well utilized. I'm certainly hoping the Economic Development strategic plan we're putting together is going to give us some ideas and recommendations on how we should use this loan fund. In total, this fund has about \$900,000 of resources in it that originated from past CDBG programs that we can still use for some purposes. This has been used as a revolving loan fund. We haven't given any grants out of it so the balance, as loans are given out and paid back, has stayed the same for quite some time. The loan programs in here haven't been well utilized so hopefully we will use the strategic planning project to help plan out how we should use those resources. We did budget the same amount as the current year of up to \$350,000 in new loans.

Community Development Block Grant fund - now that we are doing CDBG grants in a slightly different way in coming years this is going to account for the annual ongoing amount the City would receive from that program. That amount is probably going to be somewhere in the neighborhood of \$200,000-\$300,000. We don't have an exact to amount of how much the City will receive each and every year. Right now, as Aaron mentioned, we are going through that consolidated planning process to figure out how we want to use those funds and holding meetings to take input from the community. Once that plan comes together then we can start using those funds. This is the particular fund that will track those activities. Also, we have been spending down the resources in this fund for the Downtown and Seismic and Life Safety grant program. The \$250,000 per year we've done for each of the past couple years has helped leverage a lot of investments in the downtown area and downtown businesses. This fund is where those resources came from originally. Environmental Waste Fees fund is an EPF fee that is charged per ton of refuse collected by the waste haulers. It goes through this fund and then it is passed on to the City-County Solid Waste Agency. It's just pass-through revenue. Agency fund just keeps deposits on hand for anything that doesn't legally belong to the City or that we need to hold in trust for a particular purpose. The bulk of the resources in this fund relate to deferred development agreements. When development happens on a property and they need to make street improvements then they would pay a deposit into this fund. Once the actual improvements are done by the City then that deposit would be used to help cover that properties share of that cost. With Memorial Day right around the corner and transient room tax being one of the programs here we thought we would use this picture to wrap up this presentation. Are there any questions on any of those Auxiliary Services special revenue funds?

Committee Member DeHoog stated, on the loan fund it sounds as if we have \$900,000 lying around in that thing? What interest rate are we charging on that?

Finance Director Meredith stated, that's a good question. I don't know that offhand because we haven't done a loan out of that fund in a number of years. I could probably look that up and get back to you. There is a Loan Review Committee that would meet if there was a loan application. If a business wanted to take out a loan for a particular purpose that committee would meet and help decide on those terms. I think it's competitive with commercial rates or maybe even a little less. As you might imagine it's not as popular as say a grant program because it's a loan that does need to be paid back.

Committee Member DeHoog stated, my thought process is why not just say we'll loan it to you at 3.5% only up to \$100,000 and start throwing one out a year for \$150,000. Pretty soon that thing will be \$2-\$3 million. In other words amortize that or invest it. Throw it out there. Advertise in the paper that we have \$900,000 and we want to place \$150,000 of that out and amortize it over 10 years and we'll put it out at 4% interest as long as you have collateral.

Finance Director Meredith stated, the interest is not something that would help build up that fund significantly, but again, I think this will be one of the many things we're focused on when we do that economic development strategic plan. Of course when our business advocate came in and started with us last year we sat down and showed him all the different programs that are available to assist with economic development efforts. We are planning out how best to use those resources. Right now and for many years it has been a revolving loan fund and not too many loans have been done. We know we need to look at that and figure out how to use those funds that are available. The community development block grant had about the same amount of money in it when we started and we have spent almost all of the money that's in those old CDBG funds. There was close to \$900,000 in those funds as well and we have really helped leverage some investments in the downtown area. That fund is now drawing down to minimal dollar amounts, but going forward we will get the annual entitlement monies of somewhere between \$200,000-\$300,000 per year. We have very well utilized that fund and now I hope it will move our attention to the revolving loan fund and see what type of changes we want to make there to make sure that is well utilized.

Councilor Lindsay asked, is that so-called revolving loan fund strictly for loans or can some of it be used as a grant to provide activity?

Finance Director Meredith stated, most of the grants we have done have come out of the CDBG fund. In practice we have just used it as a loan fund. It doesn't mean it has to stay that way, but that has been what our official program has been out of that fund for a number of years now.

Councilor Lindsay stated, to follow-up it seems to me the demonstration of using \$250,000 and generating \$1.9 million or whatever it was is more beneficial to the city and to the people than to have \$900,000 sitting there earning whatever it is 0.5% or maybe even 1% rather than just sitting there fallow. I'm just raising the question.

Finance Director Meredith stated, absolutely. We look forward to those policy discussions to come on how those funds are best utilized.

Chair Brandes asked, are there any other questions? Thank you Jay.

IV. Receive Public Comment and/or Questions

Chair Brandes stated, now I would like to receive public comment on this or anything else you've heard about in the budget. Is there anyone from the public who would like to address these people? Seeing none then I would entertain a motion to vote for the tentative budget approval of the programs we discussed this evening.

V. Discuss any General Questions or Information Requests from Committee

Chair Brandes stated, are there any general questions?

Councilor Riker asked, information request - on LB 0000691 – I was wondering if I can get a copy of the page that lists the individual projects which total \$1.4 million. This isn't for tonight just sometime in the future. The second question under LB6227 - the Reinhart Park Irrigation Conversion - do we have an approximation of what the City water bill will be for that since we would discontinue using river water we would be using City water? It is my understanding any department in the City that uses City water is charged for the City water. I was wondering, in the future, what approximately that bill would be. I'm not looking for an answer tonight.

Chair Brandes asked, are there any other general questions? Seeing none now I would like to entertain a motion.

VI. Vote for Tentative Budget Approval of Programs Discusses (if applicable)

MOTION/VOTE

Councilor Lindsay moved and Councilor Riker seconded the motion to tentatively approve the Administration Department and Finance Department budgets as presented.

The vote resulted as follows: “AYES”: Councilors DeYoung, Morgan, Hannum, Gatlin, Lindsay, Riker, and Roler and Committee Members Brandes, DeHoog, Morin, Collins, and Fogelquist. “NAYS”: None. Abstain: None. Absent: Councilor Goodwin and Committee Members Rall, Curry, and Simpson. The motion passed.

VII. Vote for Approval of Property Tax Rate and Complete City Budget

Chair Brandes stated, we are going to get a recap of where we go from here and there'll be several points in a motion that can be made. Aaron is going to give us a recap.

City Manager Cubic stated, we are here towards the finish line and I wanted to give you an update. There are really four phases in the budget process. The first phase was proposing the budget staff developed through guidance from Council and the Strategic Plan. Phase 2 is what we're in right now where you are approving the budget. Phase 3 is where City Council adopts the budget and that is scheduled for June 17th. There are potential changes after the adoption of the budget, which is the fourth phase and we won't get into that today, but that is something Council takes a look at with regard to supplemental budgets etc. to deal with emergencies or unexpected issues that come up. I wanted to again express the purpose of the Budget Committee and the budget law:

- It is to establish standard procedures.
- It outlines programs and fiscal policies within the organization and the City.
- It requires estimates of resources and expenditures which you see in front of you.
- It encourages citizen participation.
- It helps control expenditures of public funds.

That is what the process is and that is one of the roles that you serve as a Budget Committee member. There are two main actions that we are looking for this evening. One is to approve the property tax rate which you will see on page 39 of your budget book. That represents the permanent tax rate of \$4.1335 per \$1000 of assessed value. It includes the Public Safety operating levy of \$1.79 per \$1000. Also, we are looking at the approval of total tax certification

for the Public Safety bond of \$1,171,123. After that, we are also looking for a motion for the total approval of the budget. For your assistance I have two slides. The first is for the approval of the levy amounts for the taxes and it is a sample motion for approving the taxes.

Chair Brandes asked, would anyone care to make a motion at this point?

Councilor Lindsay stated, I'll be glad to make it. Do I have to read that to make the motion or can we just accept –

City Manager Cubic stated, it does need to be relatively specific. It would be nice if it was read.

MOTION/VOTE

Councilor Lindsay moved and Councilor Gatlin seconded the motion that the Budget Committee of the City of Grants Pass would approve property taxes for the 2015-2016 fiscal year at the rate of \$4.1335 per \$1000 of assessed value for the permanent tax rate levy, in the amount of \$1.79 for the Public Safety operating levy, and in the amount of \$1,171,123 for the Public Safety bonded debt. The vote resulted as follows: “AYES”: Councilors DeYoung, Morgan, Hannum, Gatlin, Lindsay, Riker, and Roler and Committee Members Brandes, DeHoog, Morin, Collins, and Fogelquist. “NAYS”: None. Abstain: None. Absent: Councilor Goodwin and Committee Members Rall, Curry, and Simpson.

The motion passed.

City Manager Cubic stated, the second motion for the Budget Committee is to approve the budget and there is a sample motion up here for your consideration.

MOTION/VOTE

Councilor Lindsay moved and Councilor Gatlin seconded the motion that the Budget Committee of the City of Grants Pass would approve the budget for the 2015-2016 fiscal year in the amount of \$118,876,804. The vote resulted as follows: “AYES”: Councilors DeYoung, Morgan, Hannum, Gatlin, Lindsay, Riker, and Roler and Committee Members Brandes, DeHoog, Morin, Collins, and Fogelquist. “NAYS”: None. Abstain: None. Absent: Councilor Goodwin and Committee Members Rall, Curry, and Simpson.

The motion passed.

City Manager Cubic stated, I would like to conclude with a big thank you. You are all volunteers whether you are a Council member or a Budget Committee member. I want to remind you that the budget is not just a collection of numbers but an expression of our values and our aspirations. Thank you very much for your volunteerism in our community. I would also like to thank staff, Jay Meredith the Finance Director, and everyone else here and the department heads and Council for guiding us through the Strategic Plan process. This is a true example of what a community can do when we pull together and pull our resources together. Thank you staff and Council.

The meeting was adjourned by Chair Brandes at 8:10 P.M.

The motions contained herein and the accompanying votes have been verified by:



City Manager or Finance Director

8/18/2015

Date

These minutes were prepared by contracted minute taker, Becca Quimby.